

WRITTEN STATEMENT OF
STANLEY LOUIS GORSKI, EXECUTIVE DIRECTOR
SOUTH HILLS AREA COUNCIL OF GOVERNMENTS
(SHACOG)

ALLEGHENY COUNTY, PENNSYLVANIA



BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON FEDERALISM AND THE CENSUS

JULY 18, 2005

**TESTIMONY OF STANLEY LOUIS GORSKI
EXECUTIVE DIRECTOR
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I would like to thank the Subcommittee and Chairman Turner for the opportunity to speak with you today about the Community Development Block Grant (CDBG) program and its impact on local municipalities in this area, with special emphasis being given to those communities in the South Hills corridor of Allegheny County. As you are aware, in his 2006 Budget the President has proposed the consolidation of the CDBG program and 17 other programs into a new program known as the Strengthening America's Communities (SAC) Initiative within the Department of Commerce. As a consequence, not only would the CDBG program be moved from its current home in the U.S. Department of Housing and Urban Development, it would effectively be terminated. Notwithstanding this proposal, and with the intent of supporting retention of the CDBG program in its current form, I offer the following testimony on 1) the current uses of CDBG money by local governments in this area, 2) the supplemental benefits of this program for both local governments and the contractors and suppliers who participate in the program, and 3) the consequences of consolidating and moving whatever vestiges that are left of this program into the Department of Commerce.

**CURRENT USES OF CDBG FUNDS BY LOCAL GOVERNMENTS IN THIS AREA,
WITH SPECIAL EMPHASIS ON MUNICIPALITIES IN THE SOUTH HILLS
CORRIDOR OF ALLEGHENY COUNTY**

I offer this perspective on the use of CDBG funds by local governments as both a former municipal manager for 14 years with a SHACOG member municipality who applied for, and was successful in receiving, funding for a myriad of projects, and also as the current administrator of the CDBG program for the member municipalities of SHACOG. By way of brief background, SHACOG is a nonprofit corporation created to facilitate intergovernmental cooperative ventures which provide benefits ranging from being able to communicate as a single voice on matters of mutual concern to enjoying the economies of scale in program management due to the size of our organization. It serves 15 member municipalities which encompass a population of approximately 207,000.

Although constrained by the statutory requirement that the primary expenditure of CDBG funds be on activities that benefit low- and moderate- income persons, local governments in this area have developed a wide array of undertakings to benefit the municipalities while achieving the legal objective of the program. In general terms, local CDBG activities have encompassed projects such as:

infrastructure improvements, which have addressed storm sewer installations, sanitary sewer rehabilitation, water line installations, street reconstruction, and modifications to allow compliance with the Americans with Disabilities Act;

recreation enhancements, to include land acquisition for parks, playgrounds and tot lots; parks and playgrounds development; play equipment acquisition and installation; and recreation program management;

demolition activities, which allow for the removal of abandoned, dilapidated, and dangerous structures that not only create public safety problems for the municipality, but also inhibit investment and development in local neighborhoods;

development and enhancement of senior citizens facilities, which permits programs and services to be offered to the ever growing older yet viable generations in our communities;

planning studies, which allow municipalities to develop aggressive strategies that allow municipalities to undertake a wide array of activities ranging from commencing a process to eliminate blight to developing an economic plan to stimulate the local business community;

commercial and economic development projects, such as the rehabilitation of local commercial districts in aging municipalities which provides not only physical improvements but also the retention and creation of jobs; and

public safety support, such as the underwriting with a planned transition to full local absorption of costs, for police protection in troubled neighborhoods.

With this overview, please allow me to cite three varied, but specific examples that more clearly put the impact of the CDBG program at the local government level into perspective. First, as a municipal manager, I was involved in an extensive, six year project from 1977 through and including 1982 that focused on the rehabilitation and revitalization of the core area of the local business district. Recognizing that the value of a dollar was a bit more intense at that time, fueled by approximately \$800,000 in CDBG funds over the six-year period, the program, which was governed by a mandated local development corporation formed by the entire business community, saw the infusion of \$600,000 from the local businesses and property owners in the project area, an additional \$110,000 committed by the Commonwealth of Pennsylvania, and \$500,000 from the local governing body. This program prompted the active participation of 42 local businesses in the preservation and enhancement of that portion of the business district that comprised the project area, the preservation of jobs, the elimination of blighted conditions, and the infrastructure improvements of everything from streets to sewers to utilities. Moreover, this project stimulated a second activity which gave rise to another \$650,000 from the Commonwealth which, in turn, provided for an expansion of commercial revitalization in the target area as well as another area of the commercial district. Long term, the seed money provided by the CDBG program not only leveraged an investment that was two and one-half times the amount of the grant, it allowed for the undertaking of a project that the municipality could have never embraced on its own, produced

economic benefits and infrastructure improvements in the community that would not have been otherwise possible, and enhanced the tax base of the municipality.

Second, and of more recent vintage, was a three-year phased project that saw the reclamation and conversion of otherwise unusable land into a multifaceted recreation facility. The ingenuity of the municipal engineer and landscape architect allowed for large-scale grading, redistribution of soil in the area, and site preparation for the construction of a baseball field, T-ball field, soccer field, restroom facilities, and playground, all surrounded by a walking trail. CDBG funds, matched with state assistance and municipal money, allowed for the development of a facility that would not otherwise have been possible. The program therefore allowed recreation activities for all age groups to be brought into an area that had previously been devoid of any such facilities.

Third, and currently in progress, is a rather unusual but no less important activity. A few years ago a large multi-structured apartment complex involving more than 1,000 residential units was sold to an investment company that converted much of the dwelling space into low- and moderate-income housing. That dramatic change brought increased pressure on local municipal services, especially public safety activities, without any increased financial resources to meet this demand. Having approached HUD, a multifaceted program, all funded through the CDBG program, was developed to help address the underlying problems and assist with the public safety needs. First, a summer work program was established to help the younger members of the community acquire work skills and personal discipline. Managed by the municipality, which services became an in-kind contribution to the project, the CDBG program paid for all activities related to the participants. Second, a recreation program was designed to provide alternative activities for the residents of the area. Again managed by the municipality, and supported by the school district, the CDBG program addressed all recreation activity costs. Third, the cost of assigning a police officer to a police substation in the complex was underwritten over a four-year period, with the financial assistance provided declining each year to allow a transition into an activity totally supported by the municipality. In this instance, without the assistance provided from CDBG funds, neither the summer work program nor the recreation program would have been possible, and the municipality would have strained to provide the public safety services not only in the project area but in the rest of the municipality as well.

SUPPLEMENTAL BENEFITS OF THE CDBG PROGRAM FOR BOTH LOCAL GOVERNMENTS AND CONTRACTORS AND SUPPLIERS PARTICIPATING IN THE PROGRAM

It is important that the supplemental benefits of the CDBG program also be recognized. Fully understanding that the focus of the program is on low- and moderate-income persons, there are direct benefits that accrue to local governments that cannot be ignored. In fact, an appreciation of these benefits brings a better appreciation for the CDBG program.

Although the three examples cited above happened to be larger undertakings, the vast

majority of the projects administered for local governments in this area are under \$100,000 in total value. Since the CDBG grant is most frequently accompanied by a local match, which means that the project value is more than just the CDBG grant, an important aspect of the program is the ability of the program to stretch ever more scarce local dollars to do more. Since these projects would most often not be undertaken without the infusion of the CDBG grant, while benefitting the target population, the program is also providing a direct secondary benefit to local governments. And because these projects would most often not be undertaken without outside assistance, the CDBG program is also allowing local governments to address needs they could not otherwise accommodate within their own budget. By supporting the maximum effective use of local tax dollars, the CDBG program is advancing the ability of local governments to provide essential services. Implicitly it is relieving pressure on municipal finances and allows scarce resources to be applied to other pressing municipal needs.

The CDBG program also often acts as a stimulus that prompts other grant sources to support a project. It is rare to find an agency that wants or has the ability to be the single funding source for an activity. Many agencies, however, react favorably when they see other funding sources participating in a project. It is not uncommon for a CDBG grant to leverage additional support in a ratio of two or three to one. For example, one of my municipalities has an application pending where the requested CDBG amount is only 20% of the \$750,000 project budget.

An additional related benefit enjoyed by municipal governments is the general improvement brought to the community through the CDBG program. Recognizing that many of the municipalities are rather limited financially, sometimes the only capital projects that are able to be undertaken in a given year are those assisted by the CDBG program. In this area there are many municipalities with budgets that are only one or two million dollars in size. Funding a fifty or one hundred thousand dollar project is therefore a major support for that town. Moreover, every one of these improvements, regardless of the size of the municipality, implicitly stabilizes, and quite often increases, the tax base of the local government. In so doing it actually reduces the tax burden on all by precluding the need for tax increases to fund essential projects.

Not to be forgotten is the impact of the current program on the local economy. Because of the size of the projects, ample opportunity exists for wide-scale participation by contractors and suppliers. Since most of our projects involve construction related activities, they are competitively bid. Consequently, these projects have become the “bread and butter” mainstay for a host of small contractors. Deriving much of their livelihood from these projects, these contractors, in turn, are providing employment, at prevailing wages, hiring subcontractors, and purchasing materials and supplies from providers of these products. Of course, this spinoff continues with each of these subcontractors or suppliers. At our level, there is no way to quantify this impact but it is real. Conversations with local contractors about the proposed changes in the CDBG program produce great concern for their collective futures. In short, the loss of this program would definitely have an impact on the local small contractor construction community.

CONSEQUENCES OF MOVING THE PROGRAM TO THE DEPARTMENT OF COMMERCE

There is obviously no one at the municipal level who wants to see CDBG program funding reduced. As troublesome as a reduction in funding would be, however, more devastating would be moving the CDBG program, or whatever is left of the program, to the Department of Commerce. As a practical matter, it appears that such a move would effectively end the program as we know it, even if it were funded at current levels.

Little is known about the design of the proposed Strengthening America's Communities Initiative program within the Department of Commerce, but from the limited information that is available, it appears that the program is slated to be configured as a competitive program as opposed to the entitlement format the CDBG program now enjoys. Such a change is likely to remove the smaller municipalities we serve from effective consideration and participation in the new initiative. They are likely to be precluded from eligibility because of their size, and even if they are eligible, they are likely to lack the staff and resources to manage the application and submission process. Dealing with most federal programs is an expensive proposition in terms of demands on staff time and the professional fees incurred for engineering and legal support. The current CDBG format has these costs either absorbed by the County or diffused through an operating agency such as SHACOG. Small projects would be futile because the advantage of the grant would be lost when compared to the expenses incurred to secure the grant. Even larger proposals from smaller municipalities would be at a disadvantage because they would likely be competing with major applications from larger municipalities such as the City of Pittsburgh. The economy of scale enjoyed by the larger municipal entity would overwhelm the small municipality.

Given the above, as painful as a reduction in funding for the current CDBG program would be, it would be better to have the program reduced and remain in HUD than to have the program fully funded and transferred to the Department of Commerce.

CONCLUSION

The CDBG program is an important mainstay to the viability and fiscal well being of municipalities in this area. The projects, services and benefits it provides are not readily replaced. If the program is experiencing difficulties not known at our level, they should be addressed in an effort to correct and improve the program. The proposal to eliminate the CDBG program is too radical a solution, especially when considering the advantages that will be lost. Preserving, strengthening and improving the current CDBG program should be the goal.

I am pleased to have had this opportunity to share these observations with you and I look forward to answering any questions you may have.